

# 09 Payments and transfers through the income tax system

## CHAPTER 09

### OVERVIEW

For the 2009–10 income year:

- \$861 million was paid in transfers through the tax system for the benefit of families and individuals
- \$671 million was paid in education tax refunds, an increase of 5.0% from 2008–09
- \$546 million in tax offsets were claimed in the research and development industry, an increase of 19.6% over the previous income year.

### INTRODUCTION

This chapter provides information on payments and transfers, as reported on individual and company tax returns. It covers a range of payments and transfers made through the tax system. Several of these payments provide assistance to families and individuals, such as the private health insurance tax offset and the education tax refund. Both the research and development tax offset and the film and television tax offset provide targeted assistance to industry.

The education tax refund (tax offset), the private health insurance tax offset, the research and development tax offset and the film tax offset are refundable. This means that these offsets are not limited to the amount of tax payable.

Other payments made by the ATO are fuel tax credits payments (see Chapter 14) and superannuation co-contribution payments (see Chapter 15).

### NEW FEATURES AND INFORMATION

The first child tax offset (baby bonus) scheme has closed. The 2008–09 financial year was the last year that the claim could be made through the tax return. The former Table 9.1: First child tax offset has been removed. The former Table 9.8: Tax bonus payment has also been removed as it relates to the 2007–08 income year only and residual payments to 31 October 2011 are insignificant.

New table 9.8 reports on the first home saver account for the 2008–09 and 2009–10 income years.

Statistics for the 2009–10 income year reported in this chapter may have been affected by the increase in the expenditure cap from \$1 million to \$2 million on eligible research and development claimable under the research and development tax offset.

## EDUCATION TAX REFUND

Eligibility for the education tax refund (ETR) is, in the main, tied to the eligibility for the family tax benefit Part A. It allows eligible individuals to claim a refund on eligible education expenses such as computers, computer-related equipment, internet connections, software, textbooks and tools of trade required to complete an apprenticeship. Eligible individuals with children who are undertaking primary or secondary school studies and independent students under 25 years old who are undertaking primary or secondary school studies can claim the refund.

The maximum claim available in 2009–10 was 50% of eligible expenses up to:

- \$780 for each eligible student in primary school – that is, a refund of up to \$390
- \$1,558 for each eligible student in secondary school – that is, a refund of up to \$779.

If eligible expenses exceed the above respective limits for the year, any excess can go towards the following year's claim, as long as the individual is still eligible. Eligible expenses that are not utilised in the year they are incurred, or the subsequent year, will automatically lapse.

Eligible independent students undertaking secondary school studies can also claim 50% of eligible expenses up to \$1,558 – that is, a refund of up to \$779.

**Table 9.1** Education tax refund<sup>1</sup> claims, 2008–09 and 2009–10 income years

	2008–09 <sup>1</sup>		2009–10 <sup>1</sup>	
	No.	\$m	No.	\$m
Education tax refund claim	1,035,831	639	1,067,764	671
Students recorded for ETR				
Primary	972,815		1,033,297	
Secondary	838,945		885,395	

<sup>1</sup> Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively.

In the 2009–10 income year, education tax refund claims increased by 5.0% to \$671m. The number of school students included in the claims increased by 3.0% to 1,067,764.

**Table 9.2** Education tax refund<sup>1</sup> claims, by number of school students in each claim, 2008–09 and 2009–10 income years

No. of school students included in claim	Education tax refund claims 2008–09 <sup>1</sup>		Education tax refund claims 2009–10 <sup>1</sup>	
	No.	\$m	No.	\$m
1 child	486,326	194	488,000	198
2 children	388,249	272	403,831	283
3 children	122,962	120	134,039	131
4 children	29,152	37	32,072	42
5 or more children	9,142	16	9,822	17
<b>Total<sup>2</sup></b>	<b>1,035,831</b>	<b>639</b>	<b>1,067,764</b>	<b>671</b>

<sup>1</sup> Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively.

<sup>2</sup> Totals may differ from the sum of the components due to rounding.

## PRIVATE HEALTH INSURANCE TAX OFFSET

The private health insurance tax offset is calculated as a percentage of the premium paid to a registered health fund for appropriate private health insurance cover. The percentage of rebate paid is determined by the age of the oldest individual covered by the policy – 30% of the premium if aged below 65, 35% of the premium if aged between 65 and 69 or 40% of the premium if 70 or older. The tax offset is not affected by the level of a taxpayer's income.

The tax offset can be claimed as:

- a reduced private health insurance premium through a health fund
- a cash or cheque rebate from Medicare
- a fully refundable tax offset at the end of the financial year through the income tax return
- a combination of all the above options – each for a different period throughout the year.

The ATO can only provide statistical data on the refundable tax offset claimed through individual tax returns.

For the 2009–10 income year, 269,632 taxpayers claimed a private health insurance tax offset through the tax system. The average tax offset claimed per taxpayer recorded no change remaining around \$704 in 2009–10. Taxpayers aged under 30 recorded an 27.2% increase in private health insurance tax offsets in contrast to taxpayers in the 30–59 age group where a small growth of 3.1% was recorded. The 60–70 age group recorded a 12.0% increase in offsets.

**Table 9.3** Private health insurance tax offset, by age, 2008–09 and 2009–10 income years

	2008–09 <sup>1</sup>		2009–10 <sup>1</sup>	
	No.	\$m <sup>2</sup>	No.	\$m
<18	57	..	67	..
18–24	13,726	3	16,243	4
25–29	23,758	7	29,634	9
30–34	22,068	9	25,286	10
35–39	22,012	12	23,548	12
40–44	22,837	16	23,630	16
45–49	31,095	25	30,062	24
50–54	36,469	32	36,422	33
55–59	35,668	32	36,334	34
60–64	25,272	22	26,856	25
65–69	10,719	11	11,729	12
70–74	4,138	4	4,419	5
75 or more	5,358	5	5,402	6
<b>Total<sup>3</sup></b>	<b>253,177</b>	<b>178</b>	<b>269,632</b>	<b>190</b>

1 Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively.

2 ‘..’ means rounded to zero, but not zero.

3 Totals may differ from the sum of the components due to rounding.

The highest proportion of taxpayers claiming a tax offset through the tax system had a taxable income in the \$35,001 to \$80,000 range. Their average claim was \$651.

**Table 9.4** Private health insurance tax offset, by taxable income, 2009–10 income year

Taxable income	Taxpayers No.	2009–10 <sup>1</sup>
		Amount claimed \$m
Up to \$6,000	9,459	6
\$6,001–\$35,000	56,807	30
\$35,001–\$80,000	124,793	83
\$80,001–\$180,000	68,204	59
\$180,001 or more	10,369	11
<b>Total<sup>2</sup></b>	<b>269,632</b>	<b>190</b>

1 Data for the 2009–10 income year includes data processed up to 31 October 2011.

2 Totals may differ from the sum of the components due to rounding.

## RESEARCH AND DEVELOPMENT TAX OFFSET

Jointly administered by the Industry Research and Development Board (through AusIndustry) and the ATO, the research and development tax offset is designed to increase the level of research and development conducted by Australian companies. The tax offset is available to small companies with an aggregate annual turnover of less than \$5 million and grouped research and development expenditure of more than \$20,000 but less than \$2 million per income year. The expenditure cap increase from \$1 million to \$2 million applies from 1 July 2009.

Less than 0.5% of companies claimed the tax offset for the 2009–10 income year. There was a 19.6% increase in total offsets claimed in 2009–10. The average claim was \$148,697, an 11.1% increase on the 2008–09 average of \$133,793.

**Table 9.5** Research and development tax offset, by industry, 2008–09 and 2009–10 income years

Industry <sup>2</sup>	2008–09 <sup>1</sup>		2009–10 <sup>1</sup>	
	No.	\$m	No.	\$m
Agriculture, forestry and fishing	83	11	97	14
Mining	126	24	156	42
Manufacturing	688	82	750	94
Electricity, gas, water and waste services	36	5	46	6
Construction	98	10	110	12
Wholesale trade	202	24	219	28
Retail trade	107	11	110	10
Accommodation and food services	14	1	11	1
Transport, postal and warehousing	29	4	23	3
Information media and telecommunications	105	15	113	16
Financial and insurance services	115	17	124	22
Rental, hiring and real estate services	59	8	73	10
Professional, scientific and technical services	1,410	204	1,485	237
Administrative and support services	52	7	46	7
Education and training	27	3	26	3
Health care and social assistance	35	4	38	6
Arts and recreation services	11	1	15	1
Other services	45	4	53	6
Other <sup>3</sup>	171	21	179	25
<b>Total<sup>4</sup></b>	<b>3,413</b>	<b>457</b>	<b>3,674</b>	<b>546</b>

1 Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively.

2 The industry groups are based on the Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 codes on the Australian Business Register.

3 Includes companies lodging under the 'Nil company returns' code, which includes non-taxable companies or companies with nil company returns – no income, expense or balance sheet data present; accommodation and food services industry companies; companies that did not state their industry; and/or companies registered under the government administration and defence industry code.

4 Totals may differ from the sum of the components due to rounding.

## FILM TAX OFFSET

Film production companies incurring expenditure on certain productions in Australia may be eligible for refundable tax offsets. The tax offsets are the location offset (formerly the refundable film and television tax offset), the producer offset and the post, digital and visual effects (PDV) offset. The refundable tax offsets are paid directly to the producers and are exempt from tax. A production company can claim no more than one of the film tax offsets for each film. The offset is provided to the production company through its tax return. Any excess over other tax liabilities is refunded.

The location offset supports the production of large budget films and television projects shot in Australia. The producer offset encourages the production of Australian film and television projects while the PDV offset supports work on post digital and visual effects production in Australia, regardless of where a project is shot.

The offset may be subject to significant yearly variation, depending on when a claim is submitted, and no conclusions can be derived based on large variations.

**Table 9.6** Film and television tax offset, 2008–09 and 2009–10 income years

	2008–09 <sup>1</sup> \$m	2009–10 <sup>1</sup> \$m
<b>Total</b>	<b>255</b>	<b>111</b>

<sup>1</sup> Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively.

## NATIONAL RENTAL AFFORDABILITY SCHEME

The national rental affordability scheme commenced on 1 July 2008 and is available to individuals, companies, trusts, partnerships, superannuation funds and self-managed superannuation funds. The Commonwealth contribution or incentive is paid in the form of refundable tax offsets for complying institutional investors who will claim their entitlement to the tax offset in their annual tax return.

**Table 9.7** National rental affordability scheme tax offset, 2008–09 and 2009–10 income years

	No. <sup>2</sup>	2008–09 <sup>1</sup> \$m <sup>2</sup>	No.	2009–10 <sup>1</sup> \$m
<b>Total</b>	<b>n.a.</b>	<b>..</b>	<b>406</b>	<b>3</b>

<sup>1</sup> Data for the 2008–09 and 2009–10 income year includes data processed up to 31 October 2010 and 31 October 2011. We recommend you treat this data with caution due to the volatility of the return label data used to produce this table.

<sup>2</sup> The 2008–09 data has been revised. n.a. means not applicable or not available, and '..' means rounded to zero but not zero.

## FIRST HOME SAVER ACCOUNT

The federal government launched the first home saver account (FHSA) scheme on 1 October 2008. This scheme aims to provide a simple, tax effective way for Australians to save for their first home through a combination of government contributions and low taxes where certain conditions have been met. The account may be offered by banks, building societies, credit unions, life insurance companies and public offer super funds (not self-managed super funds). The account providers set their own fees and interest rates, but have to comply with the government rules for the scheme.

Earnings on these accounts are taxed at 15%, payable by the account provider (not the individual).

Account holders must live in the home for a continuous period of six months within 12 months of purchasing their first home or completing its construction.

**Table 9.8** First home saver account – government contributions paid 2008–09 and 2009–10 income year

	2008–09 <sup>1</sup>		2009–10 <sup>1</sup>	
	No.	\$m	No.	\$m
Total	11,163	5.9	17,075	9.4

<sup>1</sup> Data for the 2008–09 and 2009–10 income years includes data processed up to 31 October 2010 and 31 October 2011 respectively.

## SOURCE OF PAYMENTS AND TRANSFERS STATISTICS

The statistics in this chapter are sourced from 2009 and 2010 individual and company income tax returns processed by 31 October 2010 and 31 October 2011 respectively. The statistics reported are not necessarily complete as the proportion of tax returns processed by 31 October each year can vary. We recommend you exercise caution when comparing the statistics for the current year and previous years.

## PAYMENTS AND TRANSFERS CHAPTER TABLES

The payments and transfers chapter tables are now on the attached CD-ROM and included in the online version of this publication on our website. You can now view or download all the chapter tables in Excel.

## LIST OF PAYMENTS AND TRANSFERS DETAILED TABLES

The following personal tax detailed tables are on the attached CD-ROM and included in the online version of this publication on our website at [www.ato.gov.au](http://www.ato.gov.au). You can view or download the tables as PDF or Excel files.

**Table 1** Education tax refund claims made, by number and composition (primary and secondary) of school students recorded within each claim, for the 2009–10 income year

This table shows the number, value and composition (primary and secondary school students) of education tax refund claims made on individual returns processed up to 31 October 2011.